

Report to: Cabinet

Date: 16 December 2025

By: Chief Finance Officer

Title of report: Treasury Management – Stewardship Report 2024/25 and Mid-Year Review 2025/26

Purpose of report: To present a review of the Council's performance on Treasury Management for the year 2024/25 and Mid-Year Review for 2025/26.

RECOMMENDATION:

Cabinet is recommended to note the Treasury Management performance in 2024/25, incorporating the Mid-Year Review for the first half of 2025/26.

1. Background

1.1 The annual stewardship report presents the Council's treasury management performance for 2024/25 and Mid-Year performance for 2025/26, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management.

2. Supporting Information

2.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector (the 'Code') and operates the treasury management function in compliance with this Code. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis and that treasury management practices are in accordance with the Council's risk appetite. The Code requires the regular reporting of treasury management activities to:

- Forecast the likely activity for the forthcoming year (in the annual Treasury Management Strategy Report);
- Review actual activity for the preceding year (this Stewardship Report); and
- A mid-year performance review (this Stewardship Report).

2.2 This report sets out:

- A summary of the original strategy agreed for 2024/25 and the economic factors affecting this strategy (Appendix 1);
- The treasury management activity during the year 2024/25 (Appendix 2);
- The treasury management mid-year activity for 2025/26 (Appendix 3); and
- The Prudential Indicators, which relate to the Treasury Management function and compliance with limits (Appendix 4).

Summary of original Strategy agreed for 2024/25 and the economic factors affecting this Strategy

2.3 The Strategy for 2024/25, agreed in February 2024, continued the ongoing prudent approach and ensured that all investments were only to the highest quality rated institutions with regard to security, liquidity and yield. The Strategy and the economic conditions prevailing in 2024/25 are set out in Appendix 1 with an updated economic summary set out in Appendix 3.

2.4 The economic situation since the original Strategy formulation saw heightened uncertainties in the UK economy, particularly from inflationary, geopolitical and domestic political factors. As a result, The Bank of England (BoE) Base Rate was cut on 3 occasions during 2024/25, from 5.25% in April 2024 to a closing rate of 4.50% at 31 March 2025.

Treasury Management activity during 2024/25

2.5 The total amount received in short term interest from investments during 2024/25 was £9.8m at an average rate of 5.26%. The implemented benchmark of SONIA (Standard Overnight Index Average; a rate administered by the BoE based on actual transactions of overnight borrowing by financial institutions) over the period was 4.94%.

2.6 The average Bank of England Base Rate during the same period was 4.95%. The Council's average return was above the average returns achieved with peer authorities from treasury advisors (MUFG formerly named Link Asset Services) investment benchmarking. The return for 2024/25 was against a backdrop of ensuring, as far as possible in the financial climate, the security of principal and the minimisation of risk about liquidity to support the Council's cashflow.

2.7 The Council's investment balances during the period were in steady decline to March 2025. Investment balances at 31 March 2025 totaled £115.3m (compared to £202.5m at 31 March 2024).

2.8 The planned use of reserves, creditor spend and debt maturities have all contributed to the falling investment balances during 2024/25. The cashflow forecast is monitored on a rolling 18-month basis and a steady investment maturity profile ensures liquidity is available when required.

2.9 Details of long term borrowing are included in Appendix 2 of the report. The important points to note are:

- No new borrowing was undertaken in 2024/25.
- Public Works Loan Board (PWLB) debt maturing during 2024/25 totalled £5.0m and was at an average rate of 7.67%.
- The average interest rate of all debt at 31 March 2025 (£211.6m) was 4.44%.

Treasury Management 2025/26 Mid-Year Review

2.10 The Treasury Management and Annual Investment Strategy for 2025/26 was approved by Full Council on 11 February 2025 and was prepared within the context of the financial challenge being faced by the County Council.

2.11 The Bank of England Base Rate as of 30 September 2025 was 4.00%. During the first 6 months of the year, it decreased on the 8 May and 7 August 2025. The economic commentary provided by MUFG as at the mid-year point is set out as part of Appendix 3

2.12 Opportunities to place fixed term deposits during the period have been limited due to the reduction in available investment balances. At 30 September 2025 £71.8m was placed on deposit (September 2024, £166.9m) a reduction of £95.1m over the year.

2.13 Fixed term deposits have been placed over the period with regard to the cashflow forecast and will secure a fixed rate of return for a duration of up to 12 months. This approach locks in returns into a future decreasing interest rate environment. During the period fixed term deposits totaling £69m were placed at rates between 4.09% and 4.90%.

2.14 The rolling cashflow forecast and steady maturity investment portfolio ensures liquidity is available as and when required. The current forecast suggests there may be a short-term borrowing requirement during the second half of the year to cover temporary month end cash flow for payroll and creditor payment settlements. The treasury team will seek to limit the term of any borrowing to minimise the financial impact.

2.15 The total amount received in short term interest for 6 months to 30 September 2025 was £3.1m at an average rate of 4.63%. This was above the benchmark of SONIA in the same period of 4.19%.

2.16 During Q1 an opportunity was taken to repay a Barclays Market Loan with the assistance of the Council's Treasury Advisors MUFG. The last remaining non-PWLB loan of £6.45m (maturity date October 2058), was repaid early from available balances at an appreciable discount to loan value. Savings from the discounted repayment of approximately £0.1m per year will be spread over the next 10 years in line with accounting standards. Further restructuring opportunities are constantly monitored.

2.17 No PWLB borrowing was undertaken in the period, with the Council's long-term debt at 30 September 2025 being £200.1m held at an average rate of 4.38%.

Prudential Indicators which relate to the Treasury function and compliance with limits

2.18 The Council is required by the CIPFA Prudential Code to report the actual prudential indicators after the end of each year. There are eight indicators which relate to treasury management as are set out in Appendix 4, demonstrating that the Council is fully compliant with these indicators.

3. Conclusion and reason for recommendation

3.1 This report updates on treasury management performance and fulfils the requirement to submit an annual/half yearly report in the form prescribed in the Treasury Management Code of Practice. The key principles of security, liquidity and yield are still relevant. Officers are currently investigating opportunities within the strategy to secure investment income whilst minimising costs and maintaining security.

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BACKGROUND DOCUMENTS

Ministry of Housing, Communities and Local Government– Finance and Capital Assets

[Capital finance: guidance on minimum revenue provision \(5th edition\) - GOV.UK](#)